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**SUMMARY REPORT PURSUANT TO  
SECTION 33433  
OF THE  
CALIFORNIA COMMUNITY REDEVELOPMENT LAW  
ON A  
DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN  
THE REDEVELOPMENT AGENCY OF THE CITY OF MILPITAS AND  
THE COUNTY OF SANTA CLARA**

**I. INTRODUCTION**

The California Health and Safety Code, Section 33433, requires that if a redevelopment agency wishes to sell or lease property to which it holds title and if that property was acquired in whole or in part with property tax increment funds, the agency must first secure approval of the proposed sale or lease agreement from its local legislative body after a public hearing. A copy of the proposed sale or lease agreement and a summary report that describes and contains specific financing elements of the proposed transaction shall be available for public inspection prior to the public hearing. As contained in the Code, the following information shall be included in the summary report:

1. The cost of the agreement to the redevelopment agency, including land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the agency, plus the expected interest on any loans or bonds to finance the agreement;
2. The estimated value of the interest to be conveyed or leased, determined at the highest and best use permitted under the redevelopment plan;
3. The estimated value of the interest to be conveyed in accordance with the uses, covenants, and development costs required under the proposed agreement with the Agency, i.e., the reuse value of the site;
4. An explanation of why the sale or lease of the property will assist in the elimination of blight, as required by Section 33433; and
5. The purchase price or sum of the lease payments, which the purchaser or lessor will be required to make during the term of the lease. If the sale price or total rental amount is less than the fair market value of the interest to be conveyed or leased, determined at the highest and best use consistent with the redevelopment plan, then the agency shall provide as part of the summary an explanation of the reasons for the difference.

This report outlines the salient parts of the proposed Disposition and Development Agreement (Agreement) by and between the Redevelopment Agency of the City of Milpitas (Agency) and the County of Santa Clara (County), which requires the County to purchase the site from the Agency and develop a health care facility, and ground lease an adjacent site from the Agency and build a public parking garage. This report is based upon information in the proposed Agreement and is organized into the following six sections:

1. **Summary of the Proposed Agreement** - This section includes a description of the site to be conveyed, the proposed development and the major responsibilities of the Agency and the County.
2. **Cost of the Agreement to the Agency** - This section outlines the cost of the Agreement to the Agency. It presents the terms of the land conveyance to the County by the Agency, and sets forth the net cost of the Agreement to the Agency.
3. **Estimated Value of the Interest to be Conveyed** - This section summarizes the value of the interests to be conveyed to the County.
4. **Consideration Received and Reasons Therefore** - This section describes the purchase price and/or lease payments to be paid by the County to the Agency. It also contains a comparison of the purchase price and the fair market value at the highest and best use consistent with the redevelopment plan for the interests conveyed.
5. **Elimination of Blight** - This section includes an explanation of why the sale of the property will assist in the elimination of blight and the supporting facts and materials.
6. **Conformance with Implementation Plan** - This section describes how the Agreement is in conformance with the Agency's Implementation Plan.

## **II. SUMMARY OF THE PROPOSED AGREEMENT**

### **A. *Description of the Project***

#### **Site/Location**

The subject of this analysis is two sites (Sites) totaling approximately 2.074 acres located on North Main Street in the historic Midtown area of Milpitas: first, approximately 1.069 acres of Agency owned property fronting on North Main Street at the northwest corner of the intersection of the Calaveras Boulevard off ramp in the North Main Street Area of Milpitas (Health Center Site); and second, approximately 1.005 acres of Agency owned property fronting on North Main Street at the southwest corner of the Calaveras Boulevard off ramp in the North Main Street Area of Milpitas (Health Center Garage Site). The Health Center Site occupies portions of two assessor's parcels; prior to conveyance of the Health Center Site, the Agency will record a lot line adjustment and create a new assessor's parcel number for the Health Center Site. Both the Health Center Site and the Health Center Garage Site (collectively, the Sites) are currently vacant. The Sites are located within Redevelopment Project Area Number 1, within the Midtown Specific Plan Area.

#### **Developer / County**

The Developer is the County of Santa Clara (County), a political subdivision of the State of California. The Agency and the County are hereinafter collectively referred to as the "Parties."

#### **Project Description**

The proposed project (Project) will consist of the construction of a primary care medical facility (Santa Clara County Valley Health Center, or VHC) of approximately 60,000 sq.ft. on the Health Center Site, and a public parking structure (Health Center Garage, or Garage) on the Health Center Garage Site. The VHC structure will be approximately 45 feet high with an approximate additional 15 feet for screened, roof-mounted equipment on a footprint of approximately 20,000 sq.ft.

The VHC will provide some or all of the following primary medical services: internal medicine, obstetrics and gynecology, pediatrics, ophthalmology/optometry, podiatry, and dentistry. An immunization clinic and WIC (Women's, Infant's, and Children's Supplemental Nutrition Program) office also will be included. Support services will include some or all of the following:

pharmacy, radiology, clinical laboratory, medical records, administration and a community meeting room.

The Health Center Garage will accommodate not less than 275 parking spaces, of which 90 parking spaces/stalls will be reserved for the exclusive use of VHC employees, clients, visitors, and invitees during VHC hours. The Health Center Garage will be three stories tall and will include a plaza on the corner of the Calaveras off-ramp and North Main Street that will be compatible in design and materials with the streetscape for North Main Street. The design and exterior elements of the Health Center Garage will be of a quality and appearance consistent with the exterior appearance of the VHC.

Major site improvements to be installed on the Health Center Site include a common entryway and driveway (Common Driveway) to be shared with an affordable senior housing development being developed on the adjacent parcel to the north of the VHC. In addition, decorative landscaping will be installed around the VHC. The north side of the VHC will also be landscaped to help soften the transition from the Health Center to the affordable senior housing development.

The proposed Project is a component of the North Main Street Development Project (NMSD Project), which is comprised of several individual projects on adjacent and nearby parcels in this area of Milpitas. The NMSD Project will include necessary public improvements along the North Main Street frontage of the two Sites, including without limitation, curbs and gutters, pavement, sidewalks, street trees, landscaping, irrigation, street lights street utilities (including underground of utilities), traffic signals, median swales, and street improvements.

#### ***B. Agency Responsibilities***

The parties entered into a Memorandum of Understanding dated September 24, 2004, which set forth the Parties' preliminary agreement as to certain terms and conditions for development of the Health Center Site and the Health Center Garage Site. The County will purchase the Health Center Site from the Agency and develop a primary care medical facility (the VHC). In addition, the County will enter into a Ground Lease with the Agency for the Health Center Garage Site and develop a publicly owned parking garage (Health Center Garage) that will provide nonexclusive parking rights for patrons of the VHC.

The Agency has completed the following:

1. Negotiated the terms under which the County will be conveyed the Sites and develop the Project.

2. Certified an environmental impact report for the NMSD Project that includes assessment of environmental impacts of the Project.
3. ~~Approved the Preliminary Site Plan, the Scope of Development, and the Preliminary Design Documents.~~
4. Determined the sales price for conveyance of the Health Center Site from the Agency to the County.
5. Determined the ground lease payments for conveyance of the Health Center Garage Site from the Agency to the County.
6. Along with the County, jointly prepared a preliminary plan for development of the Health Center Site and the Health Center Garage Site.

Conditions that need to be met prior to the conveyance of the Sites to the County include:

1. Agency will promptly review and approve the County's Financing Plan.
2. Agency will assist the County in coordinating the expeditious processing and consideration of all permits, entitlements, and approvals necessary for development of the Project.
3. Agency will prepare and record tentative and final maps that will result in a modification of the parcel boundary of the Health Center Site.

Presuming that the above conditions are met, and subject to the specific terms and conditions stated in the Agreement, the Agency's responsibilities are as follows:

1. Agency will sell the Health Center Site to the County "as is" for the agreed upon purchase price of \$1,862,360, as detailed in the Agreement. The Agency will have no responsibility for site preparation, demolition, or any other removal or replacement of improvements on the Health Center Site.
2. Agency will ground lease the Health Center Garage Site to the County for a lease term of 75 years in return for ground lease payments as explained in Section III.B of this report.
3. The Agency and County (the Parties) acknowledge that concurrently with the County's construction of the Project, the Agency will undertake construction of certain public improvements (the Midtown Project) and MP Milpitas Affordable Housing Associates will undertake construction of an affordable senior housing development on the property adjacent to the Health Center Site on the north (the

Senior Housing Development). In consultation with the County and MP Milpitas, the Agency will develop and maintain a master program schedule to coordinate construction and minimize delays, as detailed in the Agreement.

4. Prior to commencement of construction, the City will have the opportunity to review and approve the Garage site plan for the purpose of ensuring adequate access for emergency vehicles.
5. The Agency and MP Milpitas Affordable Housing Associates will execute a Reciprocal Easement Agreement (REA) that will govern construction and use of the Common Driveway Area, and the allocation of construction and maintenance costs for the Common Driveway Area between the Agency and MP Milpitas Affordable Housing Associates. When the Garage site is conveyed to the County, the County will reimburse the Agency for all costs Agency has incurred in connection with the Common Driveway and will assume all of Agency's obligations under the REA.
6. Agency will coordinate its activities to make available "lay down" areas for the County to use during its construction of the VHC and Health Center Garage, and to provide access to the Sites from North Main Street during the construction period.
7. Agency will pay the cost of off-site improvements related to the VHC and the Health Center Garage, including installation of sidewalks, streets, streetscape improvements, lighting, and landscaping.
8. The Agency, and its consultant, BKF Engineers, will work with CalTrans to coordinate the design of the Common Driveway and the signalization at the Highway 237 (Calaveras Blvd.) off-ramp to North Main Street in order to ensure compliance to CalTrans requirements. The Agency will provide the County with written evidence of CalTrans' approval of such matters.
9. Agency will grant the County an option to purchase the Health Center Garage Site at any time during the 12-month period prior to the expiration of the lease termination date. Provided that the Garage Improvements are still in use in providing government services at that time, the purchase price payable by the County will be \$1,979,775.
10. Agency will pay one-half of conveyance and recording fees, escrow fees, and closing costs incurred in connection with the conveyance of the Health Center Site.

11. At completion of the VHC portion of the Project, Agency will furnish the County with a Certificate of Completion.
12. Agency will reserve a public access and parking easement (Parking Easement) providing the Agency and members of the public with pedestrian and vehicular ingress, egress, access, and parking rights in the Health Center Garage during evenings, weekends, and holidays.
13. The Parties agree that under no circumstances will mental health, alcohol and drug rehabilitation services be offered as a primary service at the VHC, provided however, such services may be provided to VHC patients on a limited basis ancillary to delivery of primary medical services.
14. The County is not represented by a broker and the Agency has no obligation to pay a commission or fee to any agent of the County.
15. If after the conveyance of the Health Center Site the County fails to begin construction of the VHC, or fails to complete construction of the VHC, the Agency will have the right to repurchase the Health Care Site and any improvements, in a cash amount equal to the purchase price paid to the Agency by the County for the Health Center Site; plus the fair market value of any improvements on the Health Center Site at the time of exercise of the Option except improvements installed or constructed at Agency or City expense; less any gains or income withdrawn or made by the County from the applicable portion of the Health Center Site or the improvements thereon; less the value of any liens or encumbrances on the applicable portion of the Health Center Site which the Agency assumes or takes subject to; less any damages to which the Agency is entitled under the Agreement by reason of County's default.
16. Upon the expiration or earlier termination of the Health Center Garage Ground Lease, ownership of the Garage Improvements will unconditionally revert to the Agency, with no compensation due to the County.

**C. County Responsibilities**

The County has completed the following:

1. Negotiated the terms under which the County will purchase and develop the Project.
2. Submitted the Preliminary Site Plan, the Scope of Development, and the Preliminary Design Documents to the Agency.

Conditions that need to be met prior to the conveyance of the Sites include:

1. County will submit for Agency review plans for financing the acquisition of the Health Center Site and the construction and permanent financing for acquisition of the Project (Financing Plan).
2. County will obtain all permits, licenses, and approvals required for development of the Project, including without limitation, building permits from County. The County is obligated to pay when due City fees and charges described in Agreement in connection with the processing of City reviews and approvals.
3. County will have awarded a contract for construction of the VHC, contingent only upon conveyance of the Health Center Site to the County.

Presuming that the above conditions are met, and subject to the specific terms and conditions stated in the Agreement, the County's responsibilities under the proposed Agreement are as follows:

1. County will purchase the Health Center Site from the Agency "as is" at the agreed upon purchase price of \$1,862,360, as detailed in the Agreement.
2. County will lease the Health Center Garage Site from the Agency "as is" for a lease term of 75 years in return for lease payments as stipulated in the Agreement.
3. In connection with construction of the Health Center, County shall use the services of the County Building Department for plan check and permit issuance, in lieu of the City Building Department. Upon completion of the Health Center, County will provide City at County expense a set of as-built plans for use by the City Fire Department in provision of emergency access. County will construct all on-site public utilities and utility connections in accordance with City standards and will obtain approval from the City Fire Department for emergency vehicle access.
4. The County will bear all costs of site preparation, and design, development and construction of the VHC. The Parties agree that County's obligation to provide parking for the Health Center will be satisfied by County's construction of the Health Center Garage. Pursuant to this Agreement and the Health Care Garage Site Ground Lease, the Health Center Garage will be open and accessible to Health Center employees and patrons no later than concurrently with the opening of the Health Center. Prevailing wages will be paid for construction of any improvements associated with the Project.
5. County will design and construct at the County's expense any lateral connections to public utilities that are necessary to provide water, sewer, and storm drain service to the Health Center Site and Health Center Garage Site.



6. County will pay the cost of landscaping the Health Center Site. Agency will pay the cost of construction and maintenance of the Common Driveway Area, subject to the allocation of responsibility and costs between the Agency and the owner of the adjacent affordable senior housing development (MP Milpitas Affordable Housing Associates). When the Health Center Site is conveyed to the County, the County will reimburse the Agency for all costs Agency has incurred in connection with the Common Driveway and will assume all of Agency's obligations under the REA. County will pay the City's usual and customary utility connection charges for water, storm drain, and sanitary sewer and the City's standard engineering fees attributable to the development and construction of the VHC, estimated at \$288,080.
7. County will pay the City's usual and customary planning and impact fees applicable to a private medical facility: fixed at \$75,000 for VHC traffic impact fees and planning and processing fees at \$20,000.
8. County will pay one-half of conveyance and recording fees, escrow fees, and closing costs incurred in connection with the conveyance of the Health Center Site.
9. County will pay all title insurance premiums, conveyance and recording fees, transfer taxes, escrow fees, and closing costs associated with the site acquisition and development of the Health Center Garage.
10. During the term of the ground lease, the County will pay all real estate taxes, possessory interest taxes, license and permit fees, sales, use or occupancy taxes, and assessments pertaining to the Health Center Garage Site.
11. All costs of site preparation, design, development, construction, and operation of the Health Center Garage will be borne solely by the County and will not be an obligation of the Agency or City.
12. The County will make the Health Center Garage available for general public use at no cost during evening, weekend, and holiday hours when the VHC is not open for regular business. The VHC's regular business hours are 7:00 a.m. to 6:00 p.m. In addition, ninety (90) spaces on the first floor of the Health Center Garage will be marked "reserved" and available only to users of the VHC. The County will have responsibility for operation and maintenance of the Health Center Garage at County expense. It is the intent of the Parties that during normal business hours, the County will not charge parking fees for use of the Health Center Garage. If either of the Parties determines that it is necessary or desirable to charge fees for parking in the Health Center Garage, the Parties will meet and develop a mutually acceptable fee structure and schedule. Parties agree that it may be necessary for

the County to install a validation system to ensure that the Health Center Garage is available to Health Center patrons during regular business hours.

13. County will have the right to enter into an agreement with a third party for garage maintenance services. The County will select a garage operator pursuant to a Request for Proposals (RFP) that will specify the required operator qualifications and responsibilities. The County will provide the Agency with a copy of the RFP for Agency review and comment prior to the County's issuance of the RFP.
14. County will maintain the Sites, the improvements, related landscaping, lighting, public amenities, and common areas of the Project in good repair in accordance with the Milpitas Municipal Code.
15. County acknowledges that MP Milpitas Affordable Housing Associates intends to construct an affordable senior housing development on the property adjacent to the Health Center Site on the north and that the affordable senior housing development and the Project will share a common driveway for vehicular and emergency access. Upon conveyance of the Site to County, County will reimburse Agency for all costs Agency occurs in connection with the Common Driveway.
16. The County will not transfer or assign the Project without the prior written approval of the Agency
17. If the County determines to lease or sell the VHC or the Health Center Site for private use during the term of the ground lease, the County will have an option (Purchase Option) to purchase the Health Center Garage Site and Garage Improvements for its fair market value at the time of the purchase as determined by a third party appraisal. If the County determines to lease or sell the VHC or the Health Center Site for private use during the term of the ground lease, and does not exercise the Purchase Option, the Parties agree to meet in good faith to renegotiate the ground rent prior to such lease or sale.

### III. COST OF THE AGREEMENT TO THE AGENCY

This section presents the cost of the Agreement to the Agency, as well as the "net cost" of the Project after consideration of the Project revenues. The net cost can be either an actual cost, when expenditures exceed receipts, or a net gain, when revenues created by implementation of the Agreement exceed expenditures.

#### A. *Estimated Cost to the Agency*

The Agency incurred costs associated with the acquisition of the Health Center Site in 2004 and the Health Center Garage Site in 2005. The Agency will incur additional costs for off-sites and closing costs. For this Agreement, the total Agency costs are estimated to be \$10.8 million, as summarized below:

<u>Cost Element</u>	<u>(Estimated Cost)</u>
Health Center Site Acquisition (2004)	\$2,020,000
Health Center Garage Site Acquisition (2005)	\$1,979,775
Off-Site Costs (1)	\$6,750,000
Closing costs (2)	\$12,000
 Total Costs	 \$10,761,775
(Rounded)	\$10,760,000

Notes:

(1) Expended primarily to facilitate the Library project.

(2) One-half of conveyance and recording fees, escrow fees, and other closing costs in connection with the Health Center Site.

As shown above, the estimated cost to the Agency is approximately \$10,760,000 of which \$2,020,000 was expended in 2004-05 and an additional \$8,740,000 will be expended as part of the Agreement. It is anticipated that project costs will be funded from bond proceeds.

#### B. *Revenues to the Agency*

The Agency will receive revenues from the sale of Agency owned property (the Health Center Site) to the County and from the ground lease of Agency owned property (the Health Center Garage Site), as detailed below.

##### *Sale of Agency Property to County*

Per the Agreement, the County will purchase the Health Center Site from the Agency for an agreed upon purchase price of \$1,862,360. In addition, the County has the option to purchase the Health Center Garage Site and the Garage Improvements at any time during the 12-month period prior to the expiration of the lease termination date (year 75) for an agreed upon purchase price of

\$1,979,775 (Year 75 Purchase Option). This price appears favorable to the Purchaser (County) and is therefore deemed likely to be exercised; the Present Value of this payment at an appropriate discount rate (say, 7.0%) is approximately \$10,000.

Based on the foregoing, Agency revenue from sale of Agency owned property (the Health Center Site and Health Center Garage Site) is \$1,872,360, or approximately \$1,870,000.

#### *Ground Lease Payments from County*

The Agency will ground lease the Health Care Center Garage Site to the County. The term of the ground lease is 75 years. The lease term commences on the date upon which the Health Center Site is conveyed to the County. The Agency will receive ground rent of One Dollar (\$1.00) per year. As additional rent, the County will pay all maintenance and operating costs, insurance premiums, and utility costs and charges.

For the purposes of this analysis, the only applicable ground lease revenue stream is the annual rent of \$1 over the 75-year lease term. Discounting this stream of payments back to the present, the value is nominal.

In addition, the Agency (and City) will receive the right to use of the spaces in the Health Center Garage (at least 275 spaces, per the Agreement) at off-hours (evenings and weekends) free of charge. The value of this benefit is somewhat speculative, in that parking in the area and at other venues, is generally free of charge, and, could be made available on the site if it were not conveyed for the intended use.

#### *Total Agency Revenue*

As described above, revenue from the sale of Agency property is estimated to total \$1,870,000. Revenue from ground leasing the Health Care Center Garage Site is anticipated to be nominal. Therefore, the total Agency revenue from the sale and lease of property is anticipated to be \$1,870,000.

#### *C. Net Cost to the Agency*

The Agency's total cost is estimated to be \$10,760,000. Total Agency revenue is estimated at \$1,870,000. The net cost to the Agency is therefore estimated at \$8,890,000 (all estimates rounded).

#### **IV. VALUE OF THE INTEREST TO BE CONVEYED**

##### ***Fair Reuse Value***

The fair reuse value for the Sites is directly a function of a specific development program and the transaction specified in the Agreement. The covenants and conditions of the Agreement require the County to: (1) develop the Project in one phase at County's cost, with the public parking garage opening no later than concurrently with the VHC, and (2) pay prevailing wages for construction of the Project. Development of the Project must commence within six months after conveyance.

The Health Center is a public use for which there is no applicable approach to determine site value, whether an income or comparable sales approach to land valuation. Typically, public uses absorb a cost for land based on the highest and best use of the land (see below). In this instance, securing the Health Center has been deemed a high priority by the City/Agency, in filling a major gap in the delivery of health services in Milpitas; hence, the facility is sited in its proposed location, in an area of generally high land values that bear no relation to the intended public use. In consideration of the foregoing factors, we conclude that the fair reuse value of both the Health Site and the Health Garage Site is nominal.

##### ***Estimated Value at Highest and Best Use***

KMA has estimated the value of the interest being conveyed to the County if sold by the Agency at its highest and best use allowed under the Redevelopment Plan. The highest and best use must satisfy zoning, building codes, market conditions, and the Agency requirement that new investment must occur shortly after conveyance.

Both the Health Center Site and the Health Center Garage Site are underutilized properties, designated in the General Plan and current zoning for Mixed Use with a Transit Oriented Development Overlay Zone.

Based on our recent experience in analyzing transit oriented land transactions in the Bay Area, and review of appraisal data pertinent to the sites, we conclude that medium- to high-density residential development would command the highest value. The residential land market has continued to be strong, with residential developers paying ever-increasing prices for desirable infill, developable sites. KMA concludes that the value of the Sites under the highest and best use with high-density residential and related improvements is in the range of \$60 per sq.ft. of land area, with these resulting values at highest and best use: Health Center Site (1.069 acres), \$2,790,000; Health Center Garage Site (1.005 acres), \$2,630,000, for a total of \$5,420,000.

## **V. CONSIDERATION RECEIVED AND REASONS THEREFORE**

In consideration for conveying the Sites, the Agency is receiving proceeds totaling \$1,870,000 and will also receive the benefit of having available for use by the public during evenings and weekends parking for patrons, employees, and visitors to Midtown venues such as the Milpitas Community Library, with no payment to the County. The Project will be developed in the near-term, and will enhance the area by creating a primary medical service facility for Milpitas residents

As noted above, the consideration is not less than the fair reuse value at the use and with the covenants and conditions and development costs authorized by the sale, and is less than the value of the property rights that will be conveyed at their highest and best use, which is frequently the case in transactions involving redevelopment agencies.

## **VI. ELIMINATION OF BLIGHT**

The Sites are Agency owned parcels on North Main Street in the Midtown Specific Plan Area. The Health Center Site is a flat, vacant property. The Health Center Garage Site contains vegetation and a small hill, which will be cleared and graded, but is also vacant. The Site is surrounded by a variety of land uses, including a historic vacant house and vacant land to the north (the adjacent parcel to be developed as an affordable senior housing site by MP Milpitas Affordable Housing Associates), the vacant historic Milpitas Grammar School building and the City's Corporation Yard to the east, the Calaveras Blvd. expressway and commercial uses to the south and commercial and single-family residential to the west.

A comprehensive assessment of patients currently seen by County primary-care physicians and forecasts of future demand based on population growth and other demographic factors identified the Milpitas area as a region without any County medical services and with significant future medical needs. Residents of the Milpitas area currently travel outside the City for County medical care providers. The Project would provide more accessible, convenient services in the community within which the patients reside.

The Milpitas General Plan and the Milpitas Midtown Specific Plan designate the Sites as Mixed Use with a Transit Oriented Development Overlay Zone. The proposed Project is a component of the North Main Street Development Project (NMSD Project), which is comprised of several individual projects on adjacent and nearby parcels in this area of Milpitas. Projects to be developed as part of the NMSD Project include the renovation and reuse of the historic Milpitas Grammar School into a new library; an affordable senior housing development on the adjacent parcel to the north; and parking, streetscaping, and circulation improvements. Overall, the objectives of the NMSD Project are to develop underutilized parcels to provide additional services for residents of Milpitas and Santa Clara County, improve local circulation and encourage pedestrian activity, and provide a concentration of land uses that will serve as a catalyst for further development in the area.

The proposed Project will increase employment, both during the construction phase and thereafter, with resulting economic benefits to the surrounding neighborhood.

Thus, the Agency is entering into this Agreement and Ground Lease in order to achieve its objective to stimulate redevelopment of these underutilized Sites and to remove blight from the Project Area.

## **VI. CONFORMANCE WITH IMPLEMENTATION PLAN**

The Milpitas Midtown Specific Plan, prepared in 2002, presents a framework for growth, development, and reinvestment in the city's industrial and commercial core for the next 20 years. A transition of the area into an attractive and economically vital district that accommodates a mixture of housing, shopping, employment, entertainment, and cultural and recreational activities is envisioned. Implementation of the Specific Plan is viewed as a public-private partnership between the Agency and the property owners and the developers that will undertake new development projects in the Midtown Area. The Specific Plan is consistent with, and implements the goals and policies of, the Milpitas General Plan.

The Sites, located within the Midtown Specific Plan Area, are designated as "Opportunity" development sites, ones that would be expected to be developed in the future with a higher or more intense use. The proposed Project is one of the component projects of the NMSD Project being undertaken to stimulate redevelopment of the North Main Street Area of Milpitas. To that end, the Agency plans to convey the Sites to the County for development of the Project. The Project must be built in the near-term and will enhance the North Main Street Area and the larger Midtown Area by creating a primary care medical facility and public parking garage. The Project will be built on an infill site within the existing urban fabric within the Midtown Specific Plan Area rather than in an outlying area. The Project therefore conforms to the Specific Plan and will achieve the goals specifically defined in the Specific Plan.

RESOLUTION NO. \_\_\_\_\_

**RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF MILPITAS APPROVING A REUSE REPORT REQUIRED BY HEALTH AND SAFETY CODE SECTION 33433, AUTHORIZING THE SALE AND LEASE OF REAL PROPERTY TO THE COUNTY OF SANTA CLARA AND THE EXECUTION OF A DISPOSITION AND DEVELOPMENT AGREEMENT AND A GROUND LEASE, ADOPTING FINDINGS IN CONNECTION WITH SUCH SALE AND LEASE, AND APPROVING THE EXECUTION OF A RECIPROCAL EASEMENT AGREEMENT**

WHEREAS, by Resolution No. 192 adopted in 1976, the Agency established the Milpitas Redevelopment Project Area No. 1 ("Project Area") and adopted a redevelopment plan for the Project Area (as thereafter amended, the "Redevelopment Plan"); and

WHEREAS, pursuant to a Memorandum of Understanding dated September 7, 2004, Agency staff have negotiated the terms and conditions under which the County of Santa Clara, a political subdivision of the State of California ("County") would purchase a portion of Santa Clara County Assessor's Parcel No. 022-08-042 ("Health Center Site") for development as a Health Center and would lease and develop the property known as APN 022-08-003 ("Health Center Garage Site") as a garage for health center patrons (the "Health Center Garage"); and

WHEREAS, the Health Center, the Health Center Garage and the terms and conditions for development and financing of the Health Center Site and the Health Center Garage Site are more particularly described in a proposed Disposition and Development Agreement (the "DDA") and in a proposed Garage Site Ground Lease (the "Lease") copies of which have been provided to the Agency and the Milpitas City Council (the "City Council"); and

WHEREAS, the City Council has certified an environmental impact report ("EIR") for the North Main Street Development Project which addresses the potential environmental effects of the Health Center and the Health Center Garage; and

WHEREAS, California Health and Safety Code Sections 33430 and 33431 provide that a redevelopment agency may sell or lease real property without public bidding provided the agency holds a public hearing following publication of notice; and

WHEREAS, California Health and Safety Code Section 33433 provides that prior to a redevelopment agency's sale or lease of property acquired with tax increment funds: (i) the agency must prepare and make available to the public a report (the "Reuse Report") describing the terms of the sale or lease and development of the property, (ii) the legislative body must hold a public hearing following notice, and (iii) the legislative body must approve the sale or lease by a resolution adopting specified findings; and

WHEREAS, the Agency has caused a Reuse Report to be prepared, and the Agency and the City Council have caused notice to be published and have conducted public hearings in accordance with all legal requirements; and

WHEREAS, the City Council has approved the Reuse Report, has approved the sale and lease pursuant to the DDA and the Lease, and has adopted the findings required by Section 33433 of the Health and Safety Code; and

WHEREAS, in connection with development of the Health Center, the DDA requires the County to share a common driveway ("Common Driveway") with the senior housing development to be developed on land adjacent to the Health Center Site and to undertake certain reimbursement obligations with respect to the construction and maintenance of such driveway; and



WHEREAS, the Agency, the County and MP Milpitas Affordable Housing Associates, a California limited partnership ("MP") have negotiated the terms of a reciprocal easement agreement (the "Reciprocal Easement Agreement"), a copy of which has been provided to the Agency for review; and

WHEREAS, the DDA and the Reciprocal Easement Agreement provide that upon conveyance of the Health Center Site to the County, the County will reimburse the Agency for all costs the Agency has incurred in connection with the Common Driveway and will assume all obligations of the Agency under the Reciprocal Easement Agreement.

NOW, THEREFORE, BE IT RESOLVED that the Redevelopment Agency of the City of Milpitas hereby:

1. Finds that the sale and development of the Health Center Site in accordance with the DDA will assist in the elimination of blight in the Project Area, will further the goals of the Redevelopment Plan, and will be consistent with the implementation plan adopted in connection therewith.
2. Finds that the lease and development of the Health Center Garage Site in accordance with the Lease will assist in the elimination of blight in the Project Area, will further the goals of the Redevelopment Plan, and will be consistent with the implementation plan adopted in connection therewith.
3. Finds that the consideration to be paid for the acquisition of the Health Center Site and the lease of the Health Center Garage Site is not less than the fair reuse value of the Property at the use and with the covenants and conditions imposed by the DDA and the Lease.
4. Approves the Reuse Report.
5. Approves the sale of the Health Center Site to County pursuant to the terms and conditions set forth in the DDA.
6. Approves the lease of the Health Center Garage Site to County pursuant to the terms and conditions set forth in the Lease.
7. Approves the DDA, the Lease, and the Reciprocal Easement Agreement, authorizes the Chairperson, the Executive Director or the designee of either to execute and deliver each such document and, as applicable, the exhibits attached thereto (including, without limitation the Grant Deed), each in substantially in the forms on file with the City Clerk.
8. Authorizes the Chairperson and the Executive Director to execute and deliver such other instruments and to take such other actions as necessary to carry out the intent of this Resolution, including without limitation the recordation of the Grant Deed and the Reciprocal Easement Agreement in the Official Records of Santa Clara County.

PASSED AND ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2006, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

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Mary Lavelle, Agency Secretary

APPROVED:

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Jose S. Esteves, Chairperson

APPROVED AS TO FORM:

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Steven T. Mattas, Agency Counsel

**RESOLUTION NO. \_\_\_\_**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS  
AUTHORIZING THE SALE AND LEASE OF REAL PROPERTY TO THE COUNTY OF SANTA  
CLARA, APPROVING THE REUSE REPORT REQUIRED BY HEALTH AND SAFETY CODE  
SECTION 33433, AND ADOPTING FINDINGS IN CONNECTION WITH SUCH SALE AND LEASE**

WHEREAS, by Resolution No. 192 adopted in 1976, the Redevelopment Agency of the City of Milpitas (the "Agency") established the Milpitas Redevelopment Project Area No. 1 ("Project Area") and adopted a redevelopment plan for the Project Area (as thereafter amended, the "Redevelopment Plan"); and

WHEREAS, pursuant to a Memorandum of Understanding dated September 7, 2004, Agency staff have negotiated the terms and conditions under which the County of Santa Clara, a political subdivision of the State of California ("County") would purchase a portion of Santa Clara County Assessor's Parcel No. 022-08-042 ("Health Center Site") for development as a Health Center and would lease and develop the property known as APN 022-08-003 ("Health Center Garage Site") as a garage for Health Center patrons (the "Health Center Garage"); and

WHEREAS, the Health Center, the Health Center Garage and the terms and conditions for development and financing of the Health Center Site and the Health Center Garage Site are more particularly described in a proposed Disposition and Development Agreement (the "DDA") and in a proposed Garage Site Ground Lease (the "Lease") copies of which have been provided to the Agency and the Milpitas City Council (the "City Council"); and

WHEREAS, the City Council has certified an environmental impact report ("EIR") for the North Main Street Development Project which addresses the potential environmental effects of the Health Center and the Health Center Garage; and

WHEREAS, California Health and Safety Code Sections 33430 and 33431 provide that a redevelopment agency may sell or lease real property without public bidding provided the agency holds a public hearing following publication of notice; and

WHEREAS, California Health and Safety Code Section 33433 provides that prior to a redevelopment agency's sale or lease of property acquired with tax increment funds: (i) the agency must prepare and make available to the public a report (the "Reuse Report") describing the terms of the sale or lease and development of the property, (ii) the legislative body must hold a public hearing following notice, and (iii) the legislative body must approve the sale or lease by a resolution adopting specified findings; and

WHEREAS, the Agency has caused a Reuse Report to be prepared, and the Agency and the City Council have caused notice to be published and have conducted public hearings in accordance with all legal requirements; and

WHEREAS, the Agency has approved the Reuse Report, has approved the sale and lease pursuant to the DDA and the Lease, and has adopted the findings required by Section 33433 of the Health and Safety Code.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Milpitas hereby:

1. Finds that the sale and development of the Health Center Site in accordance with the DDA will assist in the elimination of blight in the Project Area, will further the goals of the Redevelopment Plan, and will be consistent with the implementation plan adopted in connection therewith.
2. Finds that the lease and development of the Health Center Garage Site in accordance with the Lease will assist in the elimination of blight in the Project Area, will further the goals of the Redevelopment Plan, and will be consistent with the implementation plan adopted in connection therewith.

3. Finds that the consideration to be paid for the acquisition of the Health Center Site and the lease of the Health Center Garage Site is not less than the fair reuse value of the Property at the use and with the covenants and conditions imposed by the DDA and the Lease.
4. Approves the Reuse Report.
5. Approves the sale of the Health Center Site to County pursuant to the terms and conditions set forth in the DDA.
6. Approves the lease of the Health Center Garage Site to County pursuant to the terms and conditions set forth in the Lease.
7. Authorizes the Mayor and/or the City Manager to execute and deliver such instruments and to take such actions as necessary to carry out the intent of this Resolution.

PASSED AND ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2006, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

\_\_\_\_\_  
Mary Lavelle, City Clerk

\_\_\_\_\_  
Jose S. Esteves, Mayor

APPROVED AS TO FORM:

\_\_\_\_\_  
Steven T. Mattas, City Attorney

RA5

ADDITIONAL ATTACHMENT FOR

**Item # RA5: Resolution of the Milpitas Redevelopment Agency**  
**Approving a Reuse Report Required by Health & Safety Code**  
**§33433, Authorizing the Sale and Lease of Real Property to the**  
**County of Santa Clara and Execution of a Disposition And**  
**Development Agreement and a Ground Lease, Adopting Findings in**  
**Connection with Such Sale and Lease, and Approving Execution of a**  
**Reciprocal Easement Agreement**

IS AVAILABLE AT THE CITY HALL

INFORMATION DESK